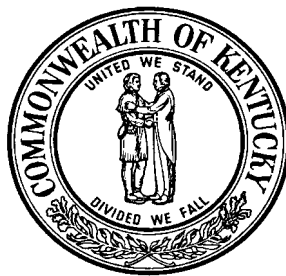


**REPORT OF THE AUDIT OF THE
PULASKI COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Barty Bullock, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Pulaski County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PULASKI COUNTY FISCAL COURT

June 30, 2009

Peercy and Gray, PSC, has completed the audit of the Pulaski County Fiscal Court for fiscal year ended June 30, 2009. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pulaski County, Kentucky. We have issued an unqualified opinion on Pulaski County's compliance with requirements applicable to its major federal awards programs.

The financial statements of the Somerset Pulaski County Development Foundation, Inc. (Foundation), a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Pulaski County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit.

Financial Condition:

The fiscal court had total net assets of \$61,337,808 as of June 30, 2009. The fiscal court had unrestricted net assets of \$2,360,329 in its governmental activities as of June 30, 2009, with total net assets of \$61,199,040. In its business-type activities, total net cash and cash equivalents were \$69,901 with total net assets of \$138,768. The fiscal court had total debt principal as of June 30, 2009 of \$27,540,506 with \$1,150,102 due within the next year.

The fiscal court's discretely presented component unit (Foundation) had net assets of \$13,272,512 as of June 30, 2009. The discretely presented component unit had net cash and cash equivalents of \$119,007. The discretely presented component unit had total debt principal as of June 30, 2009 of \$1,565,994 with \$188,220 due within the next year.

Report Comments:

- 2009-1 The Fiscal Court Had Negative Bank Balances In Several Bank Accounts During Fiscal Year 2009
- 2009-2 Transfers Were Not Always Approved By Fiscal Court
- 2009-3 The Fiscal Court Should Make Deposits In A Timely Manner
- 2009-4 The Fiscal Court Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

As of August 31, 2008, the fiscal court deposits were uninsured and uncollateralized by bank securities or bonds at two of its depository institutions in the amount of \$682,236 and \$19,179.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
PULASKI COUNTY OFFICIALS	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	17
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	20
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	28
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	33
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	37
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	41
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	45
NOTES TO FINANCIAL STATEMENTS	48
BUDGETARY COMPARISON SCHEDULES	73
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	77
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	80
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	84
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	89
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	91
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	95
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	99
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	103

APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND
DEVELOPMENT PROGRAMS



PEERCY AND GRAY, PSC

Certified Public Accountants

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Barty Bullock, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pulaski County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Somerset Pulaski County Development Foundation, Inc., a discretely presented component unit, which represents 100 percent of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Somerset Pulaski County Development Foundation, Inc. is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, management of Pulaski County Fiscal Court prepares the financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of Somerset Pulaski County Development Foundation, a discretely presented component unit of the Pulaski County Fiscal Court, are presented in accordance with the accrual basis of accounting and therefore, include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are not reasonably determinable.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Barty Bullock, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

In our opinion, based upon our report and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Somerset Pulaski County Development Foundation, Inc.'s financial statements been prepared using the same basis of accounting as Pulaski County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Pulaski County, Kentucky, as of June 30, 2009, and the changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pulaski County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures for federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2010, on our consideration of Pulaski County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based upon the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2009-1 The Fiscal Court Had Negative Bank Balances In Several Bank Accounts During Fiscal Year 2009
- 2009-2 Transfers Were Not Always Approved By Fiscal Court
- 2009-3 The Fiscal Court Should Make Deposits In A Timely Manner

To the People of Kentucky
Honorable Steven L. Beshear, Governor
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Members of the Pulaski County Fiscal Court

2009-4 The Fiscal Court Should Require Depository Institutions To Pledge Or Provide Sufficient
Collateral To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The script is cursive and fluid, with the "P" being particularly large and stylized.

Percy and Gray, PSC
Certified Public Accountants

February 22, 2010

PULASKI COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Barty Bullock	County Judge/Executive
Kenneth Isaacs	Magistrate
Mike Strunk	Magistrate
Glenn Maxey	Magistrate
Tommy Barnett	Magistrate
Mike Wilson	Magistrate

Other Elected Officials:

William Thompson	County Attorney
Mike Harris	Jailer
Ralph Troxtell	County Clerk
George Flynn	Circuit Court Clerk
Todd Wood	Sheriff
T.W. Todd	Property Valuation Administrator
Richard New	Coroner

Appointed Personnel:

Arlene Phelps Young	County Treasurer
Clara McQueen	Occupational Tax Collector
Marrissa VanHook	Finance Officer

Pulaski County Fiscal Court

Barty Bullock, County Judge Executive
Kenny Isaacs, District 1 Magistrate
Mike Wilson, District 2 Magistrate

P.O. Box 712
Somerset, KY 42502
606-678-4853
1-800-247-2510
www.pulaski-county.gov

Tommy Barnett, District 3 Magistrate
Glenn Maxey, District 4 Magistrate
Mike Strunk, District 5 Magistrate

Management's Discussion and Analysis June 30, 2009

The financial management of Pulaski County, Kentucky offers readers of Pulaski County's financial statements this narrative overview and analysis of the financial activities of Pulaski County for the fiscal year ended June 30, 2009.

Financial Highlights

- Pulaski County had net assets of \$ 61,199,040 as of June 30, 2009 in its governmental activities. The fiscal court had unrestricted net assets of \$2,360,329 in its governmental activities as of June 30, 2009. In its business-type activities, cash and cash equivalents were \$69,901 with net assets of \$138,768. Total debt for Pulaski County Fiscal Court as of June 30, 2009 was \$ 27,540,506 with \$1,150,102 due within one year.
- At the close of the current fiscal year, Pulaski County governmental funds reported fund balances of \$16,630,969. Of this amount, \$2,360,329 is available for spending at the government's discretion with \$14,270,571 reserved for capital projects expenditures, and \$69 reserved for debt service payment.
- Pulaski County's total indebtedness at the close of fiscal year June 30, 2009 was \$27,540,506 of which \$26,390,404 is noncurrent debt (due after 1 year) and \$1,150,102 is current debt (to be paid within 1 year). Debt additions were \$28,655,000 and debt reductions were \$11,156,395 for a net increase of \$17,498,605 during the year.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Pulaski County's basic financial statements. Pulaski County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Pulaski County's finances, in a manner similar to a private-sector business.



Pulaski County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Overview of the Financial Statements (Continued)

Government-wide Financial Statements. (Continued)

The *Statement of Net Assets* presents information on all of Pulaski County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Pulaski County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Pulaski County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity – the operation of a jail canteen.

The government-wide financial statements include not only Pulaski County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Pulaski County has two such entities: the Public Properties Detention Center Corporation known as a blended component unit and the Somerset Pulaski County Development Foundation, Inc. known as a discretely presented component unit.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pulaski County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Pulaski County can be divided into two broad categories: *governmental funds* and *proprietary funds*.

Pulaski County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Overview of the Financial Statements (Continued)

Governmental Funds (Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Pulaski County maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Fire Fund, and the Public Properties Corporation Construction Fund and Debt Fund, all of which are considered major funds by the County. The LGEA Fund, Industrial Development Fund, Hazardous Material Fund, 911 Fund, Economic Development Fund, Grant Fund and Detention Center Corporation Bond Fund are considered non-major funds and are represented in a combined form.

Pulaski County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Pulaski County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Government-wide Financial Analysis (Continued)

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Pulaski County's Statement of Net Assets Comparison

	Governmental Activities			Business-Type Activities		
	2008	2009	Difference	2008	2009	Difference
Assets						
Current and Other Assets	\$ 5,224,542	\$ 16,630,969	\$ 11,406,427	\$ 123,889	\$ 69,901	\$ (53,988)
Net Capital Assets	64,624,047	72,108,577	7,484,530	69,914	68,867	(1,047)
Total Assets	69,848,589	88,739,546	18,890,957	193,803	138,768	(55,035)
Liabilities						
Current and Other Liabilities	6,205,771	1,150,102	(5,055,669)			
Noncurrent Liabilities	3,836,130	26,390,404	22,554,274			
Total Liabilities	10,041,901	27,540,506	17,498,605			
Net Assets						
Invested in Capital Assets, Net of Related Debt	54,582,146	44,568,071	(10,014,075)	69,914	68,867	(1,047)
Restricted for Capital Projects	3,333,302	14,270,571	10,937,269			
Debt Service	212,335	69	(212,266)			
Unrestricted	1,678,905	2,360,329	681,424	123,889	69,901	(53,988)
Total Net Assets	\$ 59,806,688	\$ 61,199,040	\$ 1,392,352	\$ 193,803	\$ 138,768	\$ (55,035)

Changes in Net Assets.

Governmental Activities. Pulaski County's net assets increased by \$1,392,352 in fiscal year 2009. Key elements of this are as follows:

- Current and Other Assets increased by \$11,406,427 primarily due to unspent proceeds of the bond issues for the construction of the new Judicial Center facility.
- Infrastructure and tangible assets increased by \$7,484,530 because of the construction of the new Judicial Center facility.
- Total Liabilities increased by \$17,498,605 due to the bond issues for the construction of the new Judicial Center facility.

Pulaski County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Government-wide Financial Analysis (Continued)

Changes in Net Assets. (Continued)

Business-type Activities. Pulaski County's net assets decrease by \$55,035 in fiscal year 2009. Key elements of this are as follows:

- Current assets and cash decreased by \$53,988.
- Capital Assets decreased by \$1,047.

Table 2
Pulaski County's Statement of Activities Comparison
and Changes in Net Assets

Revenues:	Governmental Activities			Business-Type Activities		
	2008	2009	Difference	2008	2009	Difference
Program Revenues:						
Charges for Services	\$ 208,605	\$ 217,961	\$ 9,356	\$ 421,366	\$ 247,293	\$ (174,073)
Operating Grants & Contributions	6,829,376	6,186,177	(643,199)			
Capital Grants & Contributions	1,161,153	1,338,342	177,189			
General Revenues:	<u>15,333,599</u>	<u>14,809,114</u>	<u>(524,485)</u>	<u>17,085</u>	<u>9,277</u>	<u>(7,808)</u>
Total Revenue	<u>23,532,733</u>	<u>22,551,594</u>	<u>(981,139)</u>	<u>438,451</u>	<u>256,570</u>	<u>(181,881)</u>
Expenses:						
General Government	8,217,049	8,812,932	595,883			
Protection to Persons and Property	6,050,424	6,015,372	(35,052)			
General Health and Sanitation	547,406	538,997	(8,409)			
Social Services	80,409	114,804	34,395			
Recreation and Culture	639,825	514,342	(125,483)			
Roads	7,671,028	2,565,472	(5,105,556)			
Airports	62,534	64,269	1,735			
Debt Service	288,322	838,400	550,078			
Capital Projects	1,618,057	1,694,654	76,597			
Jail Canteen				471,255	311,605	(159,650)
Total Expenses	<u>25,175,054</u>	<u>21,159,242</u>	<u>(4,015,812)</u>	<u>471,255</u>	<u>311,605</u>	<u>(159,650)</u>
Change In Net Assets	(1,642,321)	1,392,352	3,034,673	(32,804)	(55,035)	(22,231)
Net Assets - Beginning	<u>61,449,009</u>	<u>59,806,688</u>	<u>(1,642,321)</u>	<u>226,607</u>	<u>193,803</u>	<u>(32,804)</u>
Net Assets - Ending	<u>\$ 59,806,688</u>	<u>\$ 61,199,040</u>	<u>\$ 1,392,352</u>	<u>\$ 193,803</u>	<u>\$ 138,768</u>	<u>\$ (55,035)</u>

**Pulaski County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Financial Analysis of the County's Funds.

As noted earlier, Pulaski County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Pulaski County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 2009 fiscal year, the combined ending fund balance of County governmental funds was \$16,630,969. Approximately 15% (\$2,360,329) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. Of the remainder of the fund balance of \$69 is reserved for debt service, and \$14,270,571 is reserved for capital projects.

The County has six (6) major governmental funds. These are 1) General Fund, 2) Road Fund, 3) Jail Fund, 4) Fire Fund, 5) Public Properties Corporation Construction Fund. and 6) Public Properties Corporation Debt Fund. There are seven (7) non-major funds. They are the LGEA Fund, Industrial Development Fund, 911 Fund, Economic Development Fund, Grant Fund, Hazardous Material Fund, and Detention Center Corporation Bond Fund.

1. The General Fund is the chief operating fund of Pulaski County. At the end of the June 30, 2009 fiscal year, unreserved fund balance of the General Fund was \$79,217. The county received \$7,989,753 in Occupational tax revenues. Of this amount the General fund received \$3,890,046. This accounts for approximately 48% of the general fund revenue. \$1,941,626 was received from real and personal property taxes and accounts for approximately 24% of the county's general fund revenues. \$80,651 is derived from various fees and charges for services. This amounts to 1%. Various other miscellaneous sources make up the remaining revenues. Pulaski County distributes 30% of the total net Occupation Tax revenues to the 5 incorporated cities within the county.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had a fund balance of \$61,347 at June 30, 2009. The fiscal year 2009 expenditures for road projects were almost \$4.3 million. Total revenue for the Road Fund was \$4,121,289.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had an unreserved fund balance at June 30, 2009 of \$282,107. That is an increase in fund balance of \$77,876 over the previous fiscal year end. The Jail Fund budget was \$3,302,355. \$1,917,823 or 63% of its revenue is for housing prisoners. \$440,733 (or 15% of revenue) was derived from the Occupational Tax.
4. The Local Government Economic Assistance Fund had a fund balance of \$97,099, a decrease of \$276,517 over the previous fiscal year end.

Pulaski County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Financial Analysis of the County's Funds. (Continued)

5. The Grant Fund is used to account for federal monies received. The county received \$1,338,342 in grants for various ongoing projects. In total, \$1,337,027 was expended for various projects. Fund balance as of June 30, 2009 is \$1,352.
6. The Fire Fund supports 17 Fire departments, Rescue Squad and Hazardous Material team from revenue derived from collection of a 5.5% insurance premium tax. Collections for 2009 were \$2,431,439, an increase of \$105,833 from the previous year. The year-end balance of the Fire Fund was \$377,728, a decrease of \$163,623 from the previous year.
7. The Industrial Development Fund is restricted to the recruitment of new companies and jobs to the county. It is supported by 20% of the net Occupational Tax revenues. \$1,056,313 was received from those funds. The year-end balance of this fund was a \$611,351, a decrease of \$27,623 from the previous year. This Fund pays for the majority of the expenses of the Somerset Pulaski County Development Foundation, Inc., a component unit of the County. This includes salaries, benefits, and debt service. In total, \$1,936,682 was expended for this Fund during the fiscal year.
8. The 911 Fund accounts for the operation of the County's emergency operations communications. The Fund had a fund balance of \$494,640 at the end of the June 30, 2009 fiscal year. It is supported by 13% of gross Occupational Tax Collections. Tax Revenue for 2009 was \$1,018,192.
9. The Economic Development Fund is comprised of recaptured grant funds and had a fund balance of \$158,176 cash balance with notes receivable of \$142,329. This is an increase of \$6,438 from the previous year. Those funds were used as matching funds to build a building owned by the county for the use of new industries relocating to Pulaski County.
10. The Hazardous Material Fund is used as a pass through account for Federal Homeland Security funds. Pulaski County is the host county for the surrounding 10 counties. They are Wayne, Mercer, Boyle, Lincoln, Casey, Adair, Russell, Cumberland, and Clinton. Pulaski County receives the funds, then, working with a board made up of representatives of the other counties, purchases and distributes equipment around the area according to a master plan.
11. The Public Properties Detention Center Corporation Bond Fund was for debt reduction on the Detention Center Bonds. Bond payments are transferred from the Jail Fund and then paid out of this fund. That debt was retired in 2009 and the remaining balance was transferred to the General Fund.
12. The Public Properties Corporation Judicial Center Construction Fund accounts for the construction of the new Judicial Center facility for lease to the Administrative Office of the Courts.
 \
13. The Public Properties Corporation Judicial Center Debt Fund accounts for the funding of the new Judicial Center facility for lease to the Administrative Office of the Courts.

**Pulaski County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Financial Analysis of the County's Funds. (Continued)

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Pulaski County has one (1) enterprise-type proprietary fund, the Jail Canteen Fund. The Jail Canteen Fund's unrestricted net assets at the end of the June 30, 2009 fiscal year amounted to \$69,901 and total assets were \$138,768.

General Fund Budgetary Highlights.

The County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$121,540. Budget amendments were made to various expenditures due to grants awarded during the fiscal year, surplus cash carried forward, and an increase in actual rental income as opposed to projected collections.

Actual revenues were \$189,474 less than budgeted by the Fiscal Court. Expenditures were \$4,260,961 less than budgeted.

Capital Assets and Debt Administration.

Capital Assets. Pulaski County's investment in capital assets for its government and business type activities as of June 30, 2009, amounts to \$72,108,577 (net of accumulated depreciation). This is an increase of \$7,484,530 from the previous year, mostly due to construction of the Judicial Center. This investment in capital assets includes land, construction in progress, buildings, improvements to land other than buildings, machinery and equipment, vehicles, and infrastructure. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2009 fiscal year included the \$142,408 purchase of land and \$6,284,213 in construction in progress for the new Judicial Center, purchase of fire and road equipment, and completing \$1.62 million of road resurfacing and repairs.

Additional information on the County's capital assets can be found in Note 5 of this report.

Pulaski County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Financial Analysis of the County's Funds. (Continued)

Capital Assets and Debt Administration. (Continued)

Table 3
Pulaski County's Capital Assets, Net of Accumulated Depreciation

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2009	2008	2009	2008	2009
Assets						
Infrastructure	\$ 42,282,604	\$ 43,117,704	\$	\$	\$ 42,282,604	\$ 43,117,704
Land	3,586,299	3,728,707			3,586,299	3,728,707
Construction in Progress	965,722	7,003,112			965,722	7,003,112
Buildings and Improvements	8,151,337	8,531,341			8,151,337	8,531,341
Other Equipment	1,658,102	1,801,085			1,658,102	1,801,085
Vehicles and Equipment	7,979,983	7,926,628	69,914	68,867	8,049,897	7,995,495
Total Net Capital Assets	\$ 64,624,047	\$ 72,108,577	\$ 69,914	\$ 68,867	\$ 64,693,961	\$ 72,177,444

Long-Term Debt. At the end of the fiscal year 2009, Pulaski County had total bonded debt outstanding of \$23,705,000. These are revenue bonds providing for debt service requirements for the purpose of financing and equipping the new Judicial Center facility for lease to the Administrative Office of the Courts.

At the end of fiscal year 2009, Pulaski County had total outstanding lease debt of \$3,835,506. The county has a 10-year lease with the Kentucky Association of Counties to construct two new fire stations. Total outstanding debt for that lease is \$187,416 and will be retired in 2011. The County has a two 10-year road-resurfacing project leases with the Kentucky Association of Counties. Total outstanding debt for these leases is \$2,703,133 and will be both retired in 2014. The County has one 5-year road-resurfacing project lease with a remaining balance of \$645,000. The remaining of the outstanding lease debt consists of; \$87,000 is on various pieces of road maintenance equipment; \$ 50,000 for a new CAD system for 9-1-1 Dispatch center, and \$40,000 on new computer equipment and a vehicle for the sheriff. There is one debt for the purchase of road equipment with a balance of \$122,956. Additional information on the County's debt can be found in Note 7 of this report.

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2009 fiscal year budget:

**Pulaski County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Other matters. (Continued)

- The 2009 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

Requests For Information

This financial report is designed to provide a general overview of Pulaski County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Pulaski County Treasurer, P. O. Box 712 (100 North Main Street), Somerset, KY 42502.

PULASKI COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

PULASKI COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Somerset Pulaski County Dev. Foundation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 16,488,640	\$ 69,901	\$ 16,558,541	\$ 119,007
Notes Receivable	142,329		142,329	2,007,500
Accounts Receivable				8,962
Total Current Assets	16,630,969	69,901	16,700,870	2,135,469
Capital Assets - Net of Accumulated Depreciation				
Construction in Progress	7,003,112		7,003,112	
Land and Land Improvements	3,728,707		3,728,707	
Buildings	8,531,341		8,531,341	
Other Equipment	1,801,085		1,801,085	9,417,627
Vehicles and Equipment	7,926,628	68,867	7,995,495	
Infrastructure	43,117,704		43,117,704	
Property for Sale or Lease - Net				3,299,001
Total Noncurrent Assets	72,108,577	68,867	72,177,444	12,716,628
Total Assets	88,739,546	138,768	88,878,314	14,852,097
LIABILITIES				
Current Liabilities:				
Accounts Payable				13,591
Note Payable				188,220
Financing Obligations Payable	1,150,102		1,150,102	
Total Current Liabilities	1,150,102		1,150,102	201,811
Noncurrent Liabilities:				
Bonds Payable	23,705,000		23,705,000	
Note Payable				1,377,774
Financing Obligations Payable	2,685,404		2,685,404	
Total Noncurrent Liabilities	26,390,404		26,390,404	1,377,774
Total Liabilities	27,540,506		27,540,506	1,579,585
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	44,568,071	68,867	44,636,938	12,716,628
Restricted For:				
Capital Projects	14,270,571		14,270,571	14,850
Debt Service	69		69	
Unrestricted	2,360,329	69,901	2,430,230	541,034
Total Net Assets	\$ 61,199,040	\$ 138,768	\$ 61,337,808	\$ 13,272,512

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

PULASKI COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 8,812,932	\$ 31,852	\$ 973,706	\$
Protection to Persons and Property	6,010,372	137,310	2,315,362	
General Health and Sanitation	538,997	48,799		
Social Services	114,804			
Recreation and Culture	514,342		289,897	
Roads	2,565,472		2,607,212	
Airports	64,269			
Debt Service	838,400			
Capital Projects	1,694,654			1,338,342
Total Governmental Activities	<u>21,154,242</u>	<u>217,961</u>	<u>6,186,177</u>	<u>1,338,342</u>
Business-type Activities:				
Jail Canteen	311,605	247,293		
Total Business-type Activities	<u>311,605</u>	<u>247,293</u>		
Total Primary Government	<u>\$ 21,465,847</u>	<u>\$ 465,254</u>	<u>\$ 6,186,177</u>	<u>\$ 1,338,342</u>
Component Unit:				
Somerset Pulaski County Development Foundation	<u>\$ 1,280,065</u>	<u>\$ 1,290</u>	<u>\$ 1,503,361</u>	<u>\$ 0</u>

General Revenues:

Taxes:

Real Property Taxes
Motor Vehicle Taxes
Occupational Taxes
Fire Insurance Premium Taxes
Other Taxes
Excess Fees
Commission and Royalties
Reimbursements
Miscellaneous Revenues
Net Transfers
Rentals
Interest

Total General Revenues
Change in Net Assets
Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			Component
Primary Government			Unit
Governmental Activities	Business-Type Activities	Totals	Somerset Pulaski County Dev. Foundation
\$ (7,807,374)	\$	\$ (7,807,374)	\$
(3,557,700)		(3,557,700)	
(490,198)		(490,198)	
(114,804)		(114,804)	
(224,445)		(224,445)	
41,740		41,740	
(64,269)		(64,269)	
(838,400)		(838,400)	
(356,312)		(356,312)	
(13,411,762)		(13,411,762)	
	(64,312)	(64,312)	
	(64,312)	(64,312)	
(13,411,762)	(64,312)	(13,476,074)	
			\$ 224,586
1,610,803		1,610,803	
273,145		273,145	
7,989,753		7,989,753	
2,431,438		2,431,438	
853,379		853,379	
584,448		584,448	
113,895		113,895	
383,845		383,845	
1,036,419	8,633	1,045,052	749,319
(652,176)		(652,176)	652,176
			321,592
179,165	644	179,809	9,610
14,804,114	9,277	14,813,391	1,732,697
1,392,352	(55,035)	1,337,317	1,957,283
59,806,688	193,803	60,000,491	11,315,229
\$ 61,199,040	\$ 138,768	\$ 61,337,808	\$ 13,272,512

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

PULASKI COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Judicial Center Construction Fund
ASSETS				
Cash and Cash Equivalents	\$ 79,217	\$ 61,347	\$ 282,107	\$ 14,270,571
Due From Other Fund				
Notes Receivables				
Total Assets	<u>79,217</u>	<u>61,347</u>	<u>282,107</u>	<u>14,270,571</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due To Other Fund				
Total Liabilities				
FUND BALANCES				
Reserved for:				
Capital Projects				14,270,571
Bond Payments				
Unreserved:				
General Fund	79,217			
Special Revenue Funds		61,347	282,107	
Total Fund Balances	<u>79,217</u>	<u>61,347</u>	<u>282,107</u>	<u>14,270,571</u>
Total Liabilities and Fund Balances	<u>\$ 79,217</u>	<u>\$ 61,347</u>	<u>\$ 282,107</u>	<u>\$ 14,270,571</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Public Properties Corporation Judicial Center Debt Fund	Fire Fund	Non- Major Funds	Total Governmental Funds
\$ 69	\$ 377,728	\$ 1,417,601	\$ 16,488,640
		77,372	77,372
		142,329	142,329
<u>69</u>	<u>377,728</u>	<u>1,637,302</u>	<u>16,708,341</u>
		77,372	77,372
		77,372	77,372
			14,270,571
69			69
			79,217
	<u>377,728</u>	<u>1,559,930</u>	<u>2,281,112</u>
<u>69</u>	<u>377,728</u>	<u>1,559,930</u>	<u>16,630,969</u>
<u>\$ 69</u>	<u>\$ 377,728</u>	<u>\$ 1,637,302</u>	<u>\$ 16,708,341</u>

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 16,630,969
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	218,606,443
Accumulated Depreciation	(146,497,866)
Long Term Debt is Not Due And Payable in The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(3,835,506)
Bonded Debt	(23,705,000)
Net Assets Of Governmental Activities	<u>\$ 61,199,040</u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

PULASKI COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Judicial Center Construction Fund
REVENUES				
Taxes	\$ 6,119,253	\$ 1,584,470	\$ 440,733	\$
In Lieu Tax Payments	203,304	107,837		
Excess Fees	584,448			
Licenses and Permits	196,977			
Intergovernmental	973,706	2,370,194	2,288,754	
Charges for Services	80,651		93,684	
Miscellaneous	143,312	57,437	236,154	
Interest	14,141	1,351	5,975	23,884
Total Revenues	<u>8,315,792</u>	<u>4,121,289</u>	<u>3,065,300</u>	<u>23,884</u>
EXPENDITURES				
General Government	3,395,986			
Protection to Persons and Property	1,075,870		2,107,963	
General Health and Sanitation	485,544			
Social Services				
Recreation and Culture	190,374			
Roads		3,005,532		
Airports				
Debt Service	1,534	1,133,337		5,045,288
Capital Projects	541,972	105,576	44,406	5,452,295
Administration	2,915,210	53,919	686,502	1,742
Total Expenditures	<u>8,606,490</u>	<u>4,298,364</u>	<u>2,838,871</u>	<u>10,499,325</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(290,698)</u>	<u>(177,075)</u>	<u>226,429</u>	<u>(10,475,441)</u>
Other Financing Sources (Uses)				
Debt Issuance				
Transfers From Other Funds	1,873,486	700,000	60,000	24,091,147
Transfers to Other Funds	(1,519,993)	(700,000)	(208,553)	(1,498,112)
Total Other Financing Sources (Uses)	<u>353,493</u>	<u></u>	<u>(148,553)</u>	<u>22,593,035</u>
Net Change in Fund Balances	62,795	(177,075)	77,876	12,117,594
Fund Balances - Beginning	16,422	238,422	204,231	2,152,977
Fund Balances - Ending	<u>\$ 79,217</u>	<u>\$ 61,347</u>	<u>\$ 282,107</u>	<u>\$ 14,270,571</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Public Properties Corporation Judicial Center Debt Fund	Fire Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 2,431,439	\$ 2,074,505	\$ 12,650,400
			311,141
			584,448
			196,977
	26,608	1,942,629	7,601,891
	43,626		217,961
	21,832	998,052	1,456,787
72,528	18,380	42,906	179,165
72,528	2,541,885	5,058,092	23,198,770
		457,385	3,853,371
	1,156,051	972,644	5,312,528
		5,000	490,544
		114,804	114,804
		320,288	510,662
		237,018	3,242,550
		64,269	64,269
5,500,946	137,946	175,744	11,994,795
	1,206,459	2,147,526	9,498,234
633,478	65,052	357,507	4,713,410
6,134,424	2,565,508	4,852,185	39,795,167
(6,061,896)	(23,623)	205,907	(16,596,397)
28,655,000			28,655,000
1,498,112	100,000	508,546	28,831,291
(24,091,147)	(240,000)	(1,225,662)	(29,483,467)
6,061,965	(140,000)	(717,116)	28,002,824
69	(163,623)	(511,209)	11,406,427
	541,351	2,071,139	5,224,542
\$ 69	\$ 377,728	\$ 1,559,930	\$ 16,630,969

The accompanying notes are an integral part of the financial statements.

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**PULASKI COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

PULASKI COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 11,406,427
--	---------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	9,599,137
----------------	-----------

Depreciation Expense	(1,948,319)
----------------------	-------------

Assets disposed of, net book value:

Vehicles and Equipment	(166,288)
------------------------	-----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. While lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets.

Bond Anticiaption Note Proceeds	(4,950,000)
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Revenue Bond Proceeds	(23,705,000)
-----------------------	--------------

Payment of Detention Center Refunding Bonds	145,000
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Payment of Bond Anticipation Note	9,900,000
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Payment For Financing Obligations	1,111,395
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Change in Net Assets of Governmental Activities	\$ <u>1,392,352</u>
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The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

PULASKI COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities- Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 69,901
Total Current Assets	<u>69,901</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	141,292
Less Accumulated depreciation	<u>(72,425)</u>
Total Noncurrent Assets	<u>68,867</u>
Total Assets	<u>138,768</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	68,867
Unrestricted	<u>69,901</u>
Total Net Assets	<u>\$ 138,768</u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

PULASKI COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 244,509
Other Receipts	2,784
Total Operating Revenues	<u>247,293</u>
Operating Expenses	
Cost of Sales	162,798
Educational, Recreational, and Inmate Benefit	52,891
Personnel Costs	16,404
Sales Tax	5,327
Office Supplies	1,679
Depreciation	14,227
Total Operating Expenses	<u>253,326</u>
Operating Income	<u>(6,033)</u>
Nonoperating Revenues (Expenses)	
Interest Income	644
Inmate Pay From State	8,633
Inmate Refunds	(58,279)
Total Nonoperating Revenues (Expenses)	<u>(49,002)</u>
Change In Net Assets	(55,035)
Total Net Assets - Beginning	<u>193,803</u>
Total Net Assets - Ending	<u><u>\$ 138,768</u></u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

PULASKI COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 244,509
Other Receipts	2,784
Payments to Suppliers	(217,368)
Payments to Employees	(16,404)
Payments to Others	(5,327)
Net Cash Provided By Operating Activities	8,194
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	8,633
Inmate Refunds on Accounts	(58,279)
Net Cash (Used) By Noncapital Financing Activities	(49,646)
Cash Flows From Capital and Related Financing Activities	
Capital Asset Purchases	(13,180)
Net Cash (Used) By Capital and Related Financing Activities	(13,180)
Cash Flows From Investing Activities	
Interest Earned	644
Net Cash Provided By Investing Activities	644
Net Increase in Cash and Cash Equivalents	(53,988)
Cash and Cash Equivalents - July 1, 2008	123,889
Cash and Cash Equivalents - June 30, 2009	\$ 69,901

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

	Business-Type Activities- Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	\$ (6,033)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities:	
Depreciation Expense	<u>14,227</u>
Net Cash Provided By Operating Activities	<u><u>\$ 8,194</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	48
NOTE 2.	DEPOSITS	55
NOTE 3.	NOTES RECEIVABLE	55
NOTE 4.	OPERATING LEASES.....	57
NOTE 5.	CAPITAL ASSETS.....	58
NOTE 6.	LONG-TERM DEBT	61
NOTE 7.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	69
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	69
NOTE 9.	INSURANCE	69
NOTE 10.	DEFERRED COMPENSATION	69
NOTE 11.	ESTIMATED INFRASTRUCTURE HISTORICAL COST	70
NOTE 12.	RESTATEMENT OF NET ASSETS - DISCRETELY PRESENTED COMPONENT UNIT	70

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The primary government presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, the financial statements of the Somerset Pulaski County Development Foundation, Inc., a discretely presented component unit, is prepared on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. The financial information of this discretely presented component unit is included in the government-wide Statement of Net Assets and Statement of Activities.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Pulaski County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Pulaski County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. The Public Properties Corporation's financial information is reported in the Detention Center Corporation Bond Fund.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the data for the Somerset Pulaski County Development Foundation, Inc. This is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as “Component Unit” to emphasize this organization’s separateness from the fiscal court’s primary government.

Somerset Pulaski County Development Foundation, Inc.

The Pulaski County Fiscal Court (Fiscal Court) does not appoint a voting majority of the Somerset Pulaski County Development Foundation’s, Inc. (Foundation) governing board. However, the Foundation is governed by a board of directors which includes the County Judge/Executive and is a legally separate organization set up exclusively for the development and enhancement of the industrial and commercial welfare of Somerset, Pulaski County, and surrounding areas. The Pulaski County Fiscal Court’s occupational tax ordinance states that a percentage of the collections are to be deposited into the County’s Industrial Development Fund. In this fund the Fiscal Court retains the tax revenues collected, approves and pays the expenditures of the Foundation including salaries and debt. The debt outstanding is reported in the financial statements and related notes of the Foundation. The Fiscal Court also purchases land and constructs buildings for industrial development by obtaining grants or using the occupational tax revenues then deeds over the land and buildings to the Foundation when completed. These capital assets are reported in the financial statements and related notes of the Foundation. Exclusion of this entity as a component unit of Pulaski County would cause the county’s financial statements to be misleading or incomplete. The financial information for the Foundation is presented discretely within Pulaski County’s financial statements.

Audited financial statements for the Somerset Pulaski County Development Foundation, Inc. a discretely presented component unit, may be requested by contacting the Somerset Pulaski County Development Foundation, Inc., P.O. Box 450, Somerset, Kentucky, 42502.

C. Pulaski County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Pulaski County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Pulaski County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Fire Fund - The primary purpose of this fund is to account for fire protection expenses, purchases of buildings, and fire equipment of the county including annual allotment payments and expenses of the various county fire departments and the expenses of the Hal Rogers Fire Training Center. The primary source of revenue for this fund is fire insurance premium tax.

Public Properties Corporation Judicial Center Construction Fund - The primary purpose of this fund is to account for the financial resources to be used for the acquisition and construction of the Judicial Center.

Public Properties Corporation Judicial Center Debt Fund - The primary purpose of this fund is to account for the financial resources to be used for the payment of debt of the Judicial Center.

The government also has the following non-major funds: Local Government Economic Assistance Fund, Industrial Development Fund, 911 Fund, Economic Development Fund, Grant Fund, Hazardous Material Fund, and Detention Center Corporation Bond Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Fire Fund, Industrial Development Fund, 911 Fund, Economic Development Fund, Grant Fund, and the Hazardous Material Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Properties Corporation Judicial Center Debt Fund maintained by the Pulaski County Public Properties Corporation is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest for the Judicial Center..

The Detention Center Corporation Bond Fund maintained by the Pulaski County Public Properties Corporation is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest for the Detention Center.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Capital Projects Fund:

The Public Properties Corporation Judicial Center Construction Fund is presented as a capital projects fund. The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating Expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Discretely Presented Component Unit

The financial statements present the following major discretely presented component unit: Somerset Pulaski County Development Foundation, Inc.

This component unit is presented on the Statement of Net Assets and the Statement of Activities in a separate column labeled as "Component Unit" to emphasize this organizations' separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	3-25
Infrastructure	25,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances (if any) are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Detention Center Corporation Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the Jail Fund to comply with these requirements.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from this fund.

The Somerset Pulaski County Development Foundation, Inc. funds are not budgeted by the County Treasurer. The State Local Finance Officer does not require the Fiscal Court to budget these funds.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Pulaski County Fiscal Court:

Southeastern Water District
 Pulaski County Western Water District
 Pulaski County Public Library Special District
 Pulaski County Extension District Board
 Pulaski County Solid Waste Board.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations, Joint Venture, and Jointly Governed Organizations (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, there were no joint ventures of the Pulaski County Fiscal Court.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based upon these criteria, there were no jointly governed organizations of the Pulaski County Fiscal Court.

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposit may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of August 31, 2008, the County's deposits were exposed to custodial credit risk at two of its depository institutions as follows:

- | | |
|--|-----------|
| • Uninsured and Uncollateralized | \$682,236 |
| • Uninsured and Uncollateralized With No Written Agreement | \$ 19,179 |

Note 3. Notes Receivable

Primary Government:

In April 1993, Pulaski County loaned Somerset Food Services the proceeds from a Community Development Block Grant in the amount of \$317,532 plus an additional \$200,000. This loan was for a period of twenty years at 3 percent interest, with 20 annual payments of principal and interest in the amount of \$21,307 for the first five years and \$38,061 for the remaining 15 years. As of June 30, 2009, principal balance due was \$142,329.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Notes Receivable (Continued)

Primary Government (Continued):

Notes receivable, as of year-end for the primary government's are as follows:

Primary Government:	<u>Governmental Activities</u>	
	Principal Amount Borrowed	Interest Rate
<u>Company</u>		<u>Principal Amount Receivable June 30, 2009</u>
Somerset Food Services	<u>\$ 517,532</u>	3% <u>\$ 142,329</u>
Totals	<u>\$ 517,532</u>	<u>\$ 142,329</u>

Discretely Presented Component Unit:

Notes receivable at June 30, 2009 of the Somerset Pulaski County Development Foundation, Inc. is made up of the following notes due from industries at varying interest rates:

<u>Company</u>	<u>Governmental Activities</u>	
		<u>Principal Amount Receivable June 30, 2009</u>
Hendrickson USA, LLC	\$	360,000
Hartmann Properties		1,050,000
Hartmann Properties		384,000
Valley Oak Tenants Association		78,500
General Electric		150,000
Less: Allowance for Uncollectibles		<u>(15,000)</u>
Totals	<u>\$</u>	<u>2,007,500</u>

1. The General Electric (GE) note is a ten-year term note that matured July 1, 2002. For each year that GE maintains a manufacturing facility at its current location, employing a minimum of an average of 185 employees per year, the note payment due from GE for that year is deferred without penalty or additional interest. At the conclusion of the ten-year term, any unpaid and/or previously deferred amounts due under the agreement will be forgiven provided GE has complied with all terms of the agreement. As of June 30, 2002, GE had failed to meet the average 185 employees' requirement for three years in a row (June 30, 2000-June 30, 2002).

Due to GE's past performance and the company's promises of future expansion, the board voted to extend GE's contract through July 1, 2007. GE did not meet the requirements for those years. Due to the current economic conditions the board did not take any official action towards GE's failure to meet the aforementioned requirements during the fiscal year ended June 30, 2009.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Notes Receivable (Continued)

Discretely Presented Component Unit (Continued):

2. The note to Hendrickson USA, LLC, which is a loan for a portion of the purchase price of the speculation building, is to be reclassified as a grant as the company creates a minimum of 120 jobs on or before December 31, 2009 and maintains those jobs for ten years based upon a formula agreed to by the Foundation and the Company. If certain conditions are not met during the period of this note, interest at 5% and payments may become due or the note may be called for no employment or failure to make any payment due timely.
3. The note to Valley Oak Tenants Association is a short-term loan to assist the Association in various projects in relation to the Valley Oak property.
4. The note to Hartmann Properties, LLC which is a loan for the purchase price of a speculative building is to be reclassified as a grant as the company creates over 125 jobs based on a formula agreed to by the Foundation and the Company. If certain conditions are not met during the period of this note, interest at the New York prime rate and payments may become due or the note may be called for no employment or failure to make any payment due timely. The Company failed to meet the compliance conditions of the agreement and the note as been called. The property is scheduled to be sold by the Master Commissioner in the near future. The organization believes they are adequately secured in the underlying collateral.
5. The note to Hartmann Properties, LLC which is a loan for the purchase price of a speculative building is to be reclassified as a grant as the company creates over 50 jobs on or before December 31, 2008 based on a formula agreed to by the Foundation and the Company. If certain conditions are not met during the period of this note, interest at the New York prime rate and payments may become due or the note may be called for no employment or failure to make any payment due timely. The Company failed to meet the compliance conditions of the agreement and the note as been called. The property is scheduled to be sold by the Master Commissioner in the near future. The organization believes they are adequately secured in the underlying collateral.

Note 4. Operating Leases

The fiscal court entered into various lease agreements for copiers, mailing scales, and 911 equipment to be used by various county departments. The total expense related to these leases was \$12,835 for the fiscal year ended June 30, 2009. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Amount
2010	\$ 10,050
2011	6,915
2012	3,820
Total Minimum Lease Payments	<u>\$ 20,785</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 3,586,299	\$ 142,408	\$	\$ 3,728,707
Construction In Progress	965,722	6,284,213	(246,823)	7,003,112
Total Capital Assets Not Being Depreciated	4,552,021	6,426,621	(246,823)	10,731,819
Capital Assets, Being Depreciated:				
Buildings	13,327,544	686,618		14,014,162
Other Equipment	3,206,381	367,695		3,574,076
Vehicles and Equipment	12,441,918	735,757	(328,163)	12,849,512
Infrastructure	175,807,605	1,629,269		177,436,874
Total Capital Assets Being Depreciated	204,783,448	3,419,339	(328,163)	207,874,624
Less Accumulated Depreciation For:				
Buildings	(5,176,207)	(306,614)		(5,482,821)
Other Equipment	(1,548,279)	(224,712)		(1,772,991)
Vehicles and Equipment	(4,461,935)	(622,824)	161,875	(4,922,884)
Infrastructure	(133,525,001)	(794,169)		(134,319,170)
Total Accumulated Depreciation	(144,711,422)	(1,948,319)	161,875	(146,497,866)
Total Capital Assets, Being Depreciated, Net	60,072,026	1,471,020	(166,288)	61,376,758
Government Activities Capital Assets, Net	\$ 64,624,047	\$ 7,897,641	\$ (413,111)	\$ 72,108,577

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Primary Government:</u>				
<u>Business-type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 128,112	13,180		\$ 141,292
Total Capital Assets Being Depreciated	128,112	13,180		141,292
Less Accumulated Depreciation For:				
Vehicles and Equipment	(58,198)	(14,227)		(72,425)
Total Accumulated Depreciation	(58,198)	(14,227)		(72,425)
Total Capital Assets, Being Depreciated, Net	69,914	(1,047)		68,867
Business-type Activities Capital Assets, Net	\$ 69,914	\$ (1,047)	\$ 0	\$ 68,867

Depreciation expense was charged to functions of the primary government as follows:

General Government	\$ 246,151
Protection to Persons and Property	697,844
General Health and Sanitation	48,453
Recreation and Culture	3,680
Roads, Including Depreciation of General Infrastructure Assets	<u>952,191</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,948,319</u>
<u>Business-type Activities</u>	
Jail Canteen	<u>\$ 14,227</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 14,227</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Capital Assets (Continued)

Capital asset activity for the primary government's discretely presented component unit for the year ended June 30, 2009 for Property and Equipment.

<u>Property and Equipment</u>	Discretely Presented Component Unit Somerset-Pulaski County Development Foundation, Inc.			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land and Development Costs	\$ 1,588,759	\$ 123,248	\$	\$ 1,712,007
Total Capital Assets Not Being Depreciated	1,588,759	123,248		1,712,007
Capital Assets, Being Depreciated:				
Leasehold Improvements	3,493			3,493
Building	4,659,877	3,234,595		7,894,472
Equipment	57,693	2,127		59,820
Total Capital Assets Being Depreciated	4,721,063	3,236,722		7,957,785
Less Accumulated Depreciation For:				
Leasehold Improvements and Equipment	(127,696)	(124,469)		(252,165)
Total Accumulated Depreciation	(127,696)	(124,469)		(252,165)
Total Capital Assets, Being Depreciated, Net	4,593,367	3,112,253		7,705,620
Capital Assets, Property and Equipment, Net	\$ 6,182,126	\$ 3,235,501	\$ 0	\$ 9,417,627

Depreciation expense was charged to functions of the discretely presented component unit as follows:

Somerset-Pulaski County Development Foundation, Inc.	\$ 124,469
Total Depreciation Expense - Component Unit	\$ 124,469

Capital asset activity for the primary government's discretely presented component unit for the year ended June 30, 2009 for property held for sale or lease.

<u>Property Held for Sale or Lease</u>	Discretely Presented Component Unit Somerset-Pulaski County Development Foundation, Inc.			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Buildings and Land	\$ 3,786,330	\$ 2,747,266	\$ (3,234,595)	\$ 3,299,001
Total Capital Assets Not Being Depreciated	3,786,330	2,747,266	(3,234,595)	3,299,001
Capital Assets, Property Held for Sale or Lease	\$ 3,786,330	\$ 2,747,266	\$ (3,234,595)	\$ 3,299,001

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt

Primary Government:

A. Fire Project

On November 29, 2000, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of fire equipment, land, and the construction of a three bay fire station. The principal was \$1,100,000 at 4.18% interest rate for a period of 10 years, interest and principal paid monthly. The principal outstanding as of June 30, 2009, was \$187,416. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 131,050	\$ 6,324
2011	56,366	700
	<u>\$ 187,416</u>	<u>\$ 7,024</u>

B. Road Improvements

On January 13, 2004, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$4,500,000 at 3.380 percent interest for a period of 10 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$2,433,851. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 455,413	\$ 90,308
2011	470,578	71,470
2012	486,248	52,076
2013	502,440	31,843
2014	519,172	6,735
	<u>\$ 2,433,851</u>	<u>\$ 252,432</u>

C. Road Improvements

On March 26, 2004, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$500,000 at 3.15 percent interest for a period of 10 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$269,283. Future principal and interest requirements are:

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued)

C. Road Improvements (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 50,579	\$ 10,101
2011	52,167	8,147
2012	53,806	6,140
2013	55,495	4,066
2014	57,236	1,660
	<u>\$ 269,283</u>	<u>\$ 30,114</u>

D. Road Grader

On March 2, 2005, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a road grader. The principal was \$108,000, at 3.75 percent interest for a period of 52 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$23,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 23,000	\$ 81
	<u>\$ 23,000</u>	<u>\$ 81</u>

E. Tractor/Mower

On May 5, 2005, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a tractor/mower. The principal was \$304,000, at 3.32 percent interest for a period of 55 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$64,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	64,000	1,594
	<u>\$ 64,000</u>	<u>\$ 1,594</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued):

F. CAD 911 System

On July 13, 2005 the Pulaski County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an upgraded dispatch system for the 911 center. The principal was \$130,000, at 3.75 percent interest for a period of 59 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$50,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 25,000	\$ 1,252
2011	25,000	99
	<u>\$ 50,000</u>	<u>\$ 1,351</u>

G. Vehicles/Computer Equipment

On August 18, 2005 the Pulaski County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of two vehicles for the Sheriff's Department and an upgrade of the county finance office's computer system. The principal was \$190,000, at 3.51 percent interest for a period of 53 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$40,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 40,000	\$ 1,150
	<u>\$ 40,000</u>	<u>\$ 1,150</u>

H. First Mortgage Revenue Bond Anticipation Note, Series 2006

In October 2006, the Pulaski County Kentucky, Public Properties Corporation issued \$4,950,000 First Mortgage Revenue Bond Anticipation Notes, Series 2006 in anticipation of issuing bonds for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. In September of 2008 a new \$4,950,000 First Mortgage Revenue Bond Anticipation Notes, Series 2008 was issued, and the 2006 Bond Anticipation Note was paid off in October of 2008. The 2008 Bond Anticipation Note was paid off in January 2009 upon issuance of the \$14,205,000 First Mortgage Revenue Bonds, Series 2008.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued):

I. Road Repairs

On July 25, 2007, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$1,500,000 at 3.98 percent interest for a period of 5 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$645,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 315,000	\$ 24,935
2011	330,000	9,591
	<u>\$ 645,000</u>	<u>\$ 34,526</u>

J. Road Equipment

On January 4, 2008, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of road equipment. The principal was \$185,000 at 3.75 percent interest for a period of 4 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$122,956. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 46,060	\$ 4,031
2011	47,861	2,179
2012	29,035	388
	<u>\$ 122,956</u>	<u>\$ 6,598</u>

K. 2008 First Mortgage Revenue Bonds

In December 2008, the Pulaski County Kentucky, Public Properties Corporation issued \$14,205,000 First Mortgage Revenue Bonds, Series 2008 for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5% to 6.0% are due on December 1 and June 1 of each year. Principal is due annually on December. The bonds mature in 2028. The principal outstanding as of June 30, 2009, was \$14,205,000. Future principal and interest requirements are:

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued):

K. 2008 First Mortgage Revenue Bonds (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ -	\$ 706,194
2011	505,000	697,356
2012	525,000	679,331
2013	540,000	660,694
2014	560,000	640,744
2015-2019	3,135,000	2,841,944
2020-2024	3,855,000	2,021,994
2025-2029	5,085,000	790,515
	<u>\$14,205,000</u>	<u>\$9,038,772</u>

L. 2009 First Mortgage Revenue Bonds

In January 2009, the Pulaski County Kentucky, Public Properties Corporation issued \$9,500,000 First Mortgage Revenue Bonds, Series 2009 for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5% to 4.875% are due on December 1 and June 1 of each year. Principal is due annually on December. The bonds mature in 2028. The principal outstanding as of June 30, 2009, was \$9,500,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ -	\$ 395,901
2011	350,000	390,651
2012	360,000	380,001
2013	370,000	369,051
2014	380,000	356,851
2015-2019	2,135,000	1,560,169
2020-2024	2,620,000	1,077,043
2025-2029	3,285,000	409,400
	<u>\$ 9,500,000</u>	<u>\$4,939,067</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

Primary Government (Continued):

M. Changes in Long-Term Debt - Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 145,000	\$23,705,000	\$ 145,000	\$ 23,705,000	\$
Bond Anticipation Note	4,950,000	4,950,000	9,900,000		
Financing Obligations	4,946,901		1,111,395	3,835,506	1,150,102
Governmental Activities					
Long-term Liabilities	<u>\$ 10,041,901</u>	<u>\$28,655,000</u>	<u>\$ 11,156,395</u>	<u>\$ 27,540,506</u>	<u>\$ 1,150,102</u>

Discretely Presented Component Unit:

N. Somerset Pulaski County Development Foundation, Inc. Note Payable

Notes payable consists of the following:

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$360,000. This loan is secured by a mortgage on a building. This loan is payable in 120 installments of \$3,000 through March 2017. The balance on this loan at June 30, 2009 was \$270,000. Future principal requirements on the Foundation's debt are:

Fiscal Year Ended June 30	Governmental Activities Principal
2010	\$ 36,000
2011	36,000
2012	36,000
2013	36,000
2014	36,000
2015-2017	90,000
	<u>\$ 270,000</u>

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$250,000. This loan is secured by a mortgage on a building. This loan is payable in 120 installments of \$2,083 through March 2017. The balance on this loan at June 30, 2009 was \$186,476. Future principal requirements on the Foundation's debt are:

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

Discretely Presented Component Unit (Continued):

N. Somerset Pulaski County Development Foundation, Inc. Note Payable (Continued)

Fiscal Year Ended June 30	Governmental Activities Principal
2010	\$ 24,996
2011	24,996
2012	24,996
2013	24,996
2014	24,996
2015-2017	61,496
	<u>\$ 186,476</u>

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$300,000. This loan is secured by a mortgage on a building. This loan is payable in 108 installments of \$2,778 through November 2017. The balance on this loan at June 30, 2009 was \$277,778. Future principal requirements on the Foundation's debt are:

Fiscal Year Ended June 30	Governmental Activities Principal
2010	\$ 33,336
2011	33,336
2012	33,336
2013	33,336
2014	33,336
2015-2017	111,098
	<u>\$ 277,778</u>

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$179,000. This loan is secured by a mortgage on a building. This loan is payable in 108 installments of \$1,657 through November 2017. The balance on this loan at June 30, 2009 was \$165,741. Future principal requirements on the Foundation's debt are:

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

Discretely Presented Component Unit (Continued):

N. Somerset Pulaski County Development Foundation, Inc. Note Payable (Continued)

Fiscal Year Ended June 30	Governmental Activities Principal
2010	\$ 19,884
2011	19,884
2012	19,884
2013	19,884
2014	19,884
2015-2017	66,321
	<u>\$ 165,741</u>

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$740,000. This loan is secured by a mortgage on a building. This loan is payable in 120 installments of \$6,167 through July 2019. The balance on this loan at June 30, 2009 was \$666,000. Future principal requirements on the Foundation's debt are:

Fiscal Year Ended June 30	Governmental Activities Principal
2010	\$ 74,004
2011	74,004
2012	74,004
2013	74,004
2014	74,004
2015-2019	295,980
	<u>\$ 666,000</u>

P. Changes in Long-term Debt – Discretely Presented Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Foundation:					
<u>Governmental Activities:</u>					
Notes Payable	\$ 1,404,949	\$ 740,000	\$ 578,955	\$ 1,565,994	\$ 188,220
Governmental Activities Long-term Liabilities	<u>\$ 1,404,949</u>	<u>\$ 740,000</u>	<u>\$ 578,955</u>	<u>\$ 1,565,994</u>	<u>\$ 188,220</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$188,612 in interest on financing obligations and \$649,788 in interest on bonds and notes.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$1,095,075, FY 2008 was \$1,463,780, and FY 2009 was \$1,234,690.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Insurance

For the fiscal year ended June 30, 2009, Pulaski County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 10. Deferred Compensation

On February 24, 2000, the Pulaski County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employee's Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862 or by telephone at (502) 583-7925.

Note 11. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003, and thereafter are recorded at actual historical cost.

Note 12. Restatement of Net Assets - Discretely Presented Component Unit

Net assets were restated \$1,290,263 for the disposal of a speculative building in a prior year not properly recorded.

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,796,160	\$ 6,796,160	\$ 6,119,253	\$ (676,907)
In Lieu Tax Payments	355,000	355,000	203,304	(151,696)
Excess Fees	506,499	506,499	584,448	77,949
Licenses and Permits	161,000	161,000	196,977	35,977
Intergovernmental Revenue	433,020	554,560	973,706	419,146
Charges for Services	81,200	81,200	80,651	(549)
Miscellaneous	339,000	339,000	496,830	157,830
Interest	65,365	65,365	14,141	(51,224)
Total Revenues	<u>8,737,244</u>	<u>8,858,784</u>	<u>8,669,310</u>	<u>(189,474)</u>
EXPENDITURES				
General Government	3,996,759	4,513,169	3,854,637	658,532
Protection to Persons and Property	1,154,062	1,167,512	1,075,870	91,642
General Health and Sanitation	418,962	499,862	491,364	8,498
Recreation and Culture	185,573	304,378	260,782	43,596
Debt Service	1,511,198	1,511,198	1,534	1,509,664
Capital Projects	2,525,000	1,770,185	7,093	1,763,092
Administration	2,954,890	3,101,680	2,915,210	186,470
Total Expenditures	<u>12,746,444</u>	<u>12,867,984</u>	<u>8,606,490</u>	<u>4,261,494</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(4,009,200)</u>	<u>(4,009,200)</u>	<u>62,820</u>	<u>4,072,020</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	1,434,200	1,434,200		(1,434,200)
Bond Sale Proceeds	2,500,000	2,500,000		(2,500,000)
Transfers from Other Funds			1,519,968	1,519,968
Transfers To Other Funds			(1,519,993)	(1,519,993)
Total Other Financing Sources (Uses)	<u>3,934,200</u>	<u>3,934,200</u>	<u>(25)</u>	<u>(3,934,225)</u>
Net Changes in Fund Balances	(75,000)	(75,000)	62,795	137,795
Fund Balances - Beginning	<u>75,000</u>	<u>75,000</u>	<u>16,422</u>	<u>(58,578)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 79,217</u>	<u>\$ 79,217</u>

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,734,890	\$ 1,734,890	\$ 1,584,470	\$ (150,420)
In Lieu Tax Payments	71,000	71,000	107,837	36,837
Intergovernmental Revenue	2,412,166	2,412,166	2,370,194	(41,972)
Miscellaneous	100,000	100,000	57,437	(42,563)
Interest	28,200	28,200	1,351	(26,849)
Total Revenues	4,346,256	4,346,256	4,121,289	(224,967)
EXPENDITURES				
Roads	2,973,116	3,292,916	3,005,532	287,384
Debt Service	1,887,990	1,756,610	1,133,337	623,273
Capital Projects	200,000	200,000	105,576	94,424
Administration	35,500	35,500	53,919	(18,419)
Total Expenditures	5,096,606	5,285,026	4,298,364	986,662
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(750,350)	(938,770)	(177,075)	761,695
OTHER FINANCING SOURCES (USES)				
Borrowed Money	700,350	700,350		(700,350)
Transfers From Other Funds			700,000	700,000
Transfers To Other Funds			(700,000)	(700,000)
Total Other Financing Sources (Uses)	700,350	700,350		(700,350)
Net Changes in Fund Balances	(50,000)	(238,420)	(177,075)	61,345
Fund Balances - Beginning	50,000	238,420	238,422	2
Fund Balances - Ending	\$ 0	\$ 0	\$ 61,347	\$ 61,347

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 477,035	\$ 477,035	\$ 440,733	\$ (36,302)
Intergovernmental Revenue	2,315,540	2,324,540	2,288,754	(35,786)
Charges for Services	82,550	82,550	93,684	11,134
Miscellaneous	208,000	208,000	239,934	31,934
Interest	6,000	6,000	5,975	(25)
Total Revenues	<u>3,089,125</u>	<u>3,098,125</u>	<u>3,069,080</u>	<u>(29,045)</u>
EXPENDITURES				
Protection to Persons and Property	2,201,765	2,287,885	2,152,369	135,516
Debt Service	194,660	158,330	148,553	9,777
Administration	742,700	856,140	686,502	169,638
Total Expenditures	<u>3,139,125</u>	<u>3,302,355</u>	<u>2,987,424</u>	<u>314,931</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(204,230)</u>	<u>81,656</u>	<u>285,886</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			60,000	60,000
Transfers Out to Other Funds			(63,780)	(63,780)
Total Other Financing Sources (Uses)			<u>(3,780)</u>	<u>(3,780)</u>
Net Changes in Fund Balances	(50,000)	(204,230)	77,876	282,106
Fund Balances - Beginning	<u>50,000</u>	<u>204,230</u>	<u>204,231</u>	<u>1</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 282,107</u>	<u>\$ 282,107</u>

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,100,000	\$ 2,430,000	\$ 2,431,439	\$ 1,439
Intergovernmental Revenue	11,000	11,000	26,608	15,608
Charges For Services	20,000	20,000	43,626	23,626
Miscellaneous Revenue	4,000	4,000	21,832	17,832
Interest	10,000	10,000	18,380	8,380
Total Revenues	2,145,000	2,475,000	2,541,885	66,885
EXPENDITURES				
Protection to Persons and Property	1,088,730	1,383,385	1,325,392	57,993
Debt Service	243,815	235,610	137,946	97,664
Capital Projects	775,000	1,325,425	1,177,118	148,307
Administration	337,455	71,930	65,052	6,878
Total Expenditures	2,445,000	3,016,350	2,705,508	310,842
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(300,000)	(541,350)	(163,623)	377,727
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			100,000	100,000
Transfers to Other Funds			(100,000)	(100,000)
Total Other Financing Sources (Uses)				
Net Changes in Fund Balances	(300,000)	(541,350)	(163,623)	377,727
Fund Balances - Beginning	300,000	541,350	541,351	1
Fund Balances - Ending	\$ 0	\$ 0	\$ 377,728	\$ 377,728

PULASKI COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Detention Center Corporation Bond Fund and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Reconciliation of the General Fund

Total Revenues-Budgetary Basis	\$ 8,669,310
To reclass transfer in from Detention Bond Fund	(213,518)
To record transfer for insurance from Fire Fund	<u>(140,000)</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 8,315,792</u></u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ (25)
To reclass transfer in from Detention Bond Fund	213,518
To record transfer for insurance from Fire Fund	<u>140,000</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u><u>\$ 353,493</u></u>

Reconciliation of the Jail Fund

Total Revenues-Budgetary Basis	\$ 3,069,080
To reclass transfer	<u>(3,780)</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 3,065,300</u></u>
Total Expenditures-Budgetary Basis	\$ 2,987,424
To reclass transfer of debt payment	<u>(148,553)</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 2,838,871</u></u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ (3,780)
To reclass transfer of debt payment	(148,553)
To reclass transfer	<u>3,780</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u><u>\$ (148,553)</u></u>

PULASKI COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009
(Continued)

Reconciliation of the Fire Fund

Total Expenditures-Budgetary Basis	\$ 2,705,508
To record transfer to General Fund for insurance	<u>(140,000)</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 2,565,508</u></u>
Total Other Financing Sources and Uses-Budgetary Basis	\$
To record transfer to General Fund for insurance	<u>(140,000)</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u><u>\$ (140,000)</u></u>

**PULASKI COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

PULASKI COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	Industrial Development Fund	911 Fund	Economic Development Fund
ASSETS				
Cash and Cash Equivalents	\$ 97,099	\$ 533,979	\$ 572,012	\$ 158,176
Due From Other Fund		77,372		
Notes Receivables				142,329
Total Assets	<u>97,099</u>	<u>611,351</u>	<u>572,012</u>	<u>300,505</u>
LIABILITIES				
Due To Other Fund			77,372	
Total Liabilities			<u>77,372</u>	
FUND BALANCES				
Unreserved:				
Special Revenue Funds	<u>97,099</u>	<u>611,351</u>	<u>494,640</u>	<u>300,505</u>
Total Fund Balances	<u>97,099</u>	<u>611,351</u>	<u>494,640</u>	<u>300,505</u>
Total Liabilities and Fund Balances	<u>\$ 97,099</u>	<u>\$ 611,351</u>	<u>\$ 572,012</u>	<u>\$ 300,505</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009

Grant Fund	Hazardous Material Fund	Total Non-Major Governmental Funds
\$ 1,352	\$ 54,983	\$ 1,417,601
		77,372
		142,329
<u>1,352</u>	<u>54,983</u>	<u>1,637,302</u>
		<u>77,372</u>
		<u>77,372</u>
<u>1,352</u>	<u>54,983</u>	<u>1,559,930</u>
<u>1,352</u>	<u>54,983</u>	<u>1,559,930</u>
<u>\$ 1,352</u>	<u>\$ 54,983</u>	<u>\$ 1,637,302</u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

PULASKI COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	Industrial Development Fund	911 Fund
REVENUES			
Taxes	\$	\$ 1,056,313	\$ 1,018,192
Intergovernmental	526,915	77,372	
Charges for Services			
Miscellaneous		750,974	241,824
Interest	3,447	24,400	12,692
Total Revenues	<u>530,362</u>	<u>1,909,059</u>	<u>1,272,708</u>
EXPENDITURES			
General Government	38,000	419,385	
Protection to Persons and Property	27,500		944,634
General Health	5,000		
Social Services	114,804		
Recreation and Culture	320,288		
Roads	237,018		
Airports	64,269		
Debt Service			27,191
Capital Projects		810,499	
Administration		54,622	302,885
Total Expenditures	<u>806,879</u>	<u>1,284,506</u>	<u>1,274,710</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(276,517)</u>	<u>624,553</u>	<u>(2,002)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	200,000		
Transfers To Other Funds	<u>(200,000)</u>	<u>(652,176)</u>	
Total Other Financing Sources (Uses)		<u>(652,176)</u>	
Net Change in Fund Balances	(276,517)	(27,623)	(2,002)
Fund Balances - Beginning	373,616	638,974	496,642
Fund Balances - Ending	<u>\$ 97,099</u>	<u>\$ 611,351</u>	<u>\$ 494,640</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Economic Development Fund	Grant Fund	Hazardous Material Fund	Detention Center Corporation Bond Fund	Total Non-Major Governmental Funds
				\$ 2,074,505
	1,338,342			1,942,629
5,254				998,052
1,184			1,183	42,906
6,438	1,338,342		1,183	5,058,092
				457,385
		510		972,644
				5,000
				114,804
				320,288
				237,018
				64,269
			148,553	175,744
	1,337,027			2,147,526
				357,507
	1,337,027	510	148,553	4,852,185
6,438	1,315	(510)	(147,370)	205,907
100,000	59,993		148,553	508,546
(100,000)	(59,968)		(213,518)	(1,225,662)
	25		(64,965)	(717,116)
6,438	1,340	(510)	(212,335)	(511,209)
294,067	12	55,493	212,335	2,071,139
\$ 300,505	\$ 1,352	\$ 54,983	\$ 0	\$ 1,559,930

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

For The Year Ended June 30, 2009

PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

For The Year Ended June 30, 2009

Federal Grantor			
Program Title	Pass-Through		
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>	
Cash Programs:			
<u>U.S. Department Of Housing and Urban Development</u>			
Passed-Through Commonwealth Department for Local Government:			
Community Development Block Grant			
(State's Program)			
Kentucky Regional High Growth Training Center	06-020	\$	784,001
Scattered Housing Project	07-018		393,598
(CFDA #14.228)			
Passed-Through Kentucky Housing Corporation			
Home Investment Partnership Program			
2008-2009 GAP Pool Project	07-018		59,422
(CFDA #14.228)			
Total U.S. Department Of Housing and Urban Development		\$	1,237,021
<u>U.S. Department of The Interior</u>			
National Parks Service			
Land and Water Conservation Fund Grants -			
Outdoor Recreation Acquisition, Development			
and Planning			
Shopville Community Park	M-05445131	\$	3,224
(CFDA #15.916)			
Total U.S. Department of The Interior		\$	3,224
<u>U.S. Department Of Justice</u>			
Direct Program:			
Juvenile Justice and Prevention Program			
Gang Resistance Education And			
Training Program	2006-JV-FX-0111	\$	6,925
(CFDA #16.737)			
Total U.S. Department Of Justice		\$	6,925

PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Election Assistance Commission</u>		
Passed-Through State Board of Elections Sections 251-258 Requirement Payments to States Voting Machine Upgrade (CFDA #90.401)	Unavailable	\$ 247,950
Total U.S. Election Assistance Commission		<u>\$ 247,950</u>
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
Emergency Management Performance Grant Domestic Security Operations (CFDA #97.042)	Unavailable	\$ 11,282
Homeland Security Grant Program Aviation Radio Package (CFDA #97.067)	08-117	88,000
Total U.S. Department of Homeland Security		<u>\$ 99,282</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 1,594,402</u></u>

PULASKI COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

For The Year Ended June 30, 2009

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pulaski County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Barty Bullock, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 22, 2010, wherein we issued a qualified opinion on the discretely present component unit and made reference to the report of other auditors. Pulaski County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Somerset Pulaski County Development Foundation, Inc., as described in our report on Pulaski County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pulaski County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pulaski County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pulaski County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-2, 2009-3 and 2009-4 to be significant deficiencies in internal control over financial reporting.

Report On Internal Control And On Compliance And Other Matters
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described as items 2009-2 and 2009-3 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pulaski County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of material noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item: 2009-1 and 2009-4.

The Pulaski County Judge/Executive's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Peercy and Gray, PSC
Certified Public Accountants

February 22, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Barty Bullock, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Pulaski County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Pulaski County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pulaski County's management. Our responsibility is to express an opinion on Pulaski County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pulaski County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pulaski County's compliance with those requirements.

In our opinion, Pulaski County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Pulaski County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pulaski County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pulaski County's internal control over compliance.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

February 22, 2010

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2009

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky. The auditor's report expresses a qualified opinion on the discretely presented component unit of Pulaski County, Kentucky,
2. Four significant deficiencies, of which two are considered material weaknesses, relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. Two instances of noncompliance material to the financial statements of Pulaski County were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Pulaski County expresses an unqualified opinion.
6. There are no audit findings of noncompliance relative to the major federal awards programs for Pulaski County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grants (State's Program) (CFDA # 14.228)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Pulaski County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2009-1 The Fiscal Court Had Negative Bank Balances In Several Bank Accounts During Fiscal Year 2009

Based upon the auditor's review of cash and bank accounts it was noted that there were several instances in various county bank accounts where checks written for expenditures and submitted for payment exceeded the available cash in the bank account. This practice resulted in the following negative cash balances on various dates within the respective bank accounts for the funds:

General Fund		Road Fund		Jail Fund		LGEA Fund	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
10/9/08	(3,604.24)	11/7/08	(82,242.83)	7/15/08	(45,398.53)	7/15/08	(25,747.46)
				11/18/08	(2,880.12)	7/16/08	(2,369.54)
				11/19/08	(5,053.30)	7/17/08	(2,419.54)
						9/23/08	(3,713.31)
						9/25/08	(3,763.31)

As outlined in the County Budget Preparation and State Local Finance Officer Policy Manual, the County Treasurer is to countersign checks only if the following conditions exist: Claim reviewed by the Fiscal Court, sufficient fund balance and adequate cash in the bank to cover check, and adequate free balance in a properly budgeted appropriation account to cover the check.

We recommend that the Fiscal Court refrain from approving and issuing payment for expenditures when there is no available cash in bank accounts to cover those expenditures. We also recommend the County Treasurer comply with all applicable requirements outlined in the County Budget Preparation Manual and State Local Finance Officer Policy Manual concerning countersigning of checks.

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

County Judge/Executive Barty Bullock's Response: Due to the economy, the Fiscal Court has had to struggle with negative cash flows, which resulted in the negative bank balances. We have corrected this, and did not incur any overdraft fees in the accounts affected.

2009-2 Transfers Were Not Always Approved By Fiscal Court

During our testing of interfund transfers, we noted two instances when transfers were made, but not specifically approved by Fiscal Court. It appeared that the transfers were to cover the negative balances in the comment above.

We recommend that all interfund transfers should be approved by Fiscal Court before the transfer is made.

County Judge/Executive Barty Bullock's Response: There were two transfers that were not approved by the Fiscal Court. They were emergency transfers that inadvertently missed approval. This will not happen again.

2009-3 The Fiscal Court Should Make Deposits In A Timely Manner

During our review of cash and deposits, we noted instances in which the Fiscal Court made deposits only a few times a month, with many deposits prepared separately and posted on the same day. This may have caused part of the overdraft problem in the comment above.

We recommend the Fiscal Court make timely deposits to ensure there are sufficient funds to pay all checks written.

County Judge/Executive Barty Bullock's Response: We feel that deposits are made in a timely manner. Our cash flow is primarily at the beginning of the month, with minor revenues coming in sporadically during the rest of the month.

2009-4 The Fiscal Court Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 31, 2008, \$682,236 and \$19,179 of the Fiscal Court's deposits of public funds in two depository institutions were uninsured and unsecured. According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times

We recommend the Fiscal Court require the depository institution to pledge sufficient collateral to protect deposits with the depository institution to secure the Fiscal Court's interest in the collateral to be pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. 1823 (e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. The County does have a written agreement with one bank. The other bank did not respond to the auditor's request, and the County could not provide a signed copy of a pledge agreement with this bank.

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2009-4 The Fiscal Court Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits (Continued)

County Judge/Executive Barty Bullock's Response: The Fiscal Court has a Collateral Security Agreement with the Institution that failed to pledge for the \$682,236.00 amount. We no longer do business with either of the banks involved in the insufficient pledges. This will not happen again in the future.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2008-5 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110 (CFDA #20.205)

This finding has not been resolved. Federal Questioned Costs of \$398,400 are still outstanding.

2007-11 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110 (CFDA #20.205) (CFDA #15.928)

This finding has not been resolved. Federal Questioned Costs of \$1,796,514 are still outstanding.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

PULASKI COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

Appendix

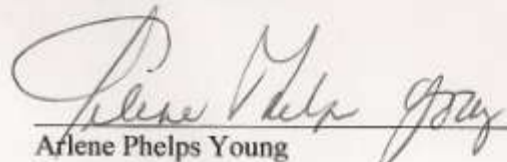
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
AND DEVELOPMENT PROGRAM

PULASKI COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Pulaski County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Barty Bullock
County Judge/Executive


Arlene Phelps Young
County Treasurer

